



STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION

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Controller, Sacramento

DOUGLAS D. BELL
Executive Secretary
No. 81/137

October 21, 1981

TO COUNTY ASSESSORS, COUNTY COUNSELS,
AND OTHER INTERESTED PARTIES:

PROPERTY TAXES RULE 136

Enclosed is a copy of a notice of public hearing to be held December 8, 1981, at 2:00 p.m., in Room 102, 1020 N Street, Sacramento, California, on proposed repeal of Rule 136, Wine Exemption.

This regulation is being repealed as a result of 1979 legislation totally exempting wine as a business inventory for the fiscal years 1980-81 and thereafter.

Written comments for the Board's consideration, or requests to present testimony at the public hearing should be directed to me at the above address. Questions regarding the content of the rule should be directed to Robert Keeling, Staff Counsel, (916) 323-7713.

Sincerely,

Janice Masterton ms

Janice Masterton
Assistant to Executive Secretary

JM:ms
Enclosures

NOTICE OF PROPOSED REGULATORY ACTION

BY THE

STATE BOARD OF EQUALIZATION

NOTICE IS HEREBY GIVEN that the State Board of Equalization, pursuant to the authority vested by Section 15606 of the Government Code, proposes to repeal Regulation 136 in Title 18 of the California Administrative Code, relating to property tax.

PUBLIC NOTICE: Notice is further given that a public hearing relevant to this action will be held in Room 102, Consumer Affairs Building, 1020 N Street, Sacramento, California, at 2:00 p.m., on December 8, 1981. Any person interested may present statements or arguments orally at that time and place.

INFORMATIVE DIGEST: Rule 136 was intended to supplement the provisions of Revenue and Taxation Code Section 992 which provides for the exemption of wine if once taxed. However, such wine became totally exempt as a business inventory for the fiscal years 1980-81 and thereafter when Revenue and Taxation Code Section 219 was amended to exempt all inventory from property taxation (Ch. 1150, Stats. 1979). Therefore, the rule is now obsolete and unnecessary.

ESTIMATE OF COST OR SAVINGS: The State Board of Equalization has determined that the proposed change will result in no direct or indirect cost or savings to any State, local, or Federal agency, school district, nor in Federal funding to the State.

INQUIRIES: Inquiries concerning this matter may be directed to Janice Masterton, at (916) 445-6479.

WRITTEN COMMENTS: Written statements or arguments will be considered by the Board if received by December 8, 1981; written statements or arguments are requested by November 18, 1981.

STATEMENT OF REASONS: The Board has prepared a statement of the purpose of the proposed action and the information relied upon in making the change, which statement is available to the public upon request.

The State Board of Equalization upon its own motion or at the instance of any interested person may adopt the changes proposed without further notice on or after December 8, 1981.

Dated: 10/13/81

STATE BOARD OF EQUALIZATION

D. D. Bell
Douglas D. Bell
Executive Secretary

STATE BOARD OF EQUALIZATION
Repeal of Section 136 in Title 18,
California Administrative Code

(1) Regulation 136 is repealed.

136. Wine Exemption

~~(a) There is exempt from taxation any wine, winery product, or brandy produced or manufactured in this state by a licensed winegrower, wine blender, or manufacturer and held in bond by a licensee on March 1, 1970, or on any given lien date thereafter provided it has been previously taxed while so held in bond. "Licensed" means that the person holds a license issued by the California Department of Alcoholic Beverage Control.~~

~~The exemption extends to the previously taxed portion of any combination of previously taxed and untaxed wines or winery products. Brandy, however, is taxable on the first lien date following manufacture whether or not it is produced from wine or winery products that have been taxed.~~

~~This exemption applies only to the wine, winery products, or brandy and not to the containers in which such products are stored or sold. It does not apply to products produced or manufactured outside the state.~~

~~(b) This exemption is applicable only to wine, winery products or brandy while held in bond. To be regarded as held in bond, such products must be of a type subject to an internal revenue tax not yet determined or paid but whose payment is secured by the posting of a bond. The products must be located within an area which is used for their production, blending, treatment, or storage and which is subject to federal excise control or be in transit under such control from one such area to another whether or not both premises are owned by the same person. The premises must be the subject of a federal permit and a plat or other document which describes the specific area subject to federal supervision.~~

~~(c) Any wine, winery product, or brandy which has escaped assessment for a year prior to the assessment year 1970-71 is subject to assessment for all years within the statute of limitation applicable to escape assessments. Escape assessments for the year 1970-71 and thereafter must also be made within the statute of limitations but are subject to the additional requirement that they must relate only to the assessment year following the production or manufacture of the property.~~

~~(d) For the purposes of this rule, the following definitions apply:~~

~~(1) "Wine" means the undistilled product obtained from alcoholic fermentation of the juice of agricultural products containing natural or added sugar or any such alcoholic beverage to which is added grape brandy, fruit brandy, or spirits of wine.~~

~~(2) "Winery product" means any product other than wine produced in a winery, e.g., lees, pomace, vinegar, grape concentrates or distilling materials. Only those products held in bond are exempt.~~

- ~~(3) "Brandy" means a product produced in a distilled spirits plant, with or without the use of water to facilitate extraction and distillation, exclusively from fresh or dried fruit, fruit residues, or the wine or wine residue therefrom. It includes wine spirits. -~~
- ~~(4) "Produced" means that wine has undergone original fermentation. Subsequent blending, mixing, bottling, aging, or storage is not included in the term "produced." -~~
- ~~(5) "Manufactured" means a product has undergone original evaporation or distillation. -~~
- ~~(e) Property not exempt under this rule is subject to all provisions of the Revenue and Taxation Code relative to the assessment and equalization of assessments. To the extent that wine, winery products, and brandy are assessed they shall receive the benefit of the business inventory exemption as defined and provided in sections 129 and 219 of the Revenue and Taxation Code.~~
- ~~(f) The value of property exempted pursuant to paragraph (a) of this rule shall not be shown on the assessment roll. -~~

Note: Authority cited: Gov. Code, Sec. 15606

Reference: Rev. & Tax. Code, Sec. 992